

PHASE DOWN THE CORPORATE INCOME TAX RATE

- **FINDING 3:** Both incented companies and non-incented companies prefer a corporate income tax rate reduction as an alternative to selected tax credits.
- **FINDING 4:** A corporate rate reduction would bring North Carolina's corporate income tax rate closer to the corporate income tax rates of its surrounding states.
- **RECOMMENDATION 2:** Utilize the savings from elimination of statutory tax credits to support a phased reduction of the corporate income tax rate to a revenue neutral and more competitive tax rate.

IDENTIFY ECONOMIC DEVELOPMENT GOALS

- **FINDING 5:** The objective of the current economic development incentives is not clear.
- **FINDING 6:** It is difficult to measure the success of economic development incentives if there is uncertainty as to what is expected to be achieved by those incentives.
- **FINDING 7:** Marketing the State as a business location can be a key component of a successful economic development strategy if the marketing consists primarily of outreach and visits to industries, particularly those that are in an early stage of their growth or are strategically important to the State.
- **RECOMMENDATION 3:** Establish clear economic development objectives to be achieved through economic development incentives:
 - Increase development in an industry identified by Commerce as being strategically important to the State.
 - Increase the location of businesses in economically disadvantaged areas. The term 'economically disadvantaged area' should be more flexible and time sensitive than the current county tier structure.

EXPAND AND EXTEND THE JOB DEVELOPMENT INVESTMENT GRANT PROGRAM, WITH INCREASED EMPHASIS ON ECONOMICALLY DISADVANTAGED AREAS

- **FINDING 8:** Discretionary incentive programs provide a better opportunity for strategic economic development targeting than statutory tax credits.
- **FINDING 9:** Discretionary incentives are more effective than tax credits at inducing companies to create jobs and investment.
- **FINDING 10:** Discretionary incentives are based upon a set of defined metrics that is used prior to approval and disbursement of funds.
- **RECOMMENDATION 4:** Expand the Job Development Incentive Grant Program in the number of annual projects and the maximum annual threshold: